

# FINANCIAL SUPERVISORY COMMISSION



Cook Islands

## PRUDENTIAL STATEMENT

No. 07-2006

### “FOUR-EYES” CRITERION

This Prudential Statement is issued by the Financial Supervisory Commission pursuant to the provisions of Sections 8, 14, 23 and 27 of the Banking Act 2003 and shall be applicable to all bank licensees, both domestic and international. It is also relevant to Practice Note No. 1a-2004, Bank Licensees – Physical Presence.

The purpose of this Prudential Statement is to clarify minimum requirements in the appointment of officers of a bank.

The Commission applies the “four-eyes” criterion and normally requires at least two individuals to direct the business of a licensed institution. It is expected that the individuals will be either executive directors or persons granted executive powers by, and reporting immediately to, the Board. An exception to this rule may only be allowed when the licensee is a branch of a bank whose Head Office is licensed and supervised in another jurisdiction.

These provisions are designed to ensure that at least two minds are applied to both the formulation and implementation of the policy of the institution. The Commission would not regard it as sufficient for the second person to make some, albeit significant, decisions relating only to a few specific aspects of the business. Both must demonstrate the ability to influence strategy and day-to-day policies and their implementation, and both must actually do so in practice. Both persons’ judgements must be engaged in order that major errors leading to difficulties for the business are less likely to occur. Both persons must have sufficient experience and knowledge of the business and the necessary personal qualities to detect and resist any imprudence, dishonesty or other irregularities by the other person. The officers should not be closely connected to each other either personally (e.g. being spouses or partners, parents, brothers/sisters, or in-laws) or as business associates (i.e. in any enterprise other than the banking business to which the licence relates) as this may be seen to compromise their personal independence. Should the Officers suspect that their relationship is or has become close for this purpose they should immediately inform the Commission and seek the Commission’s approval to continue with their respective functions.

This Prudential Statement is issued effective 26 January 2006.

FINANCIAL SUPERVISORY COMMISSION  
26 January 2006